



**Strategic
Investment
Management**
in the Resource Sector

KINNEAR
FINANCIAL LIMITED

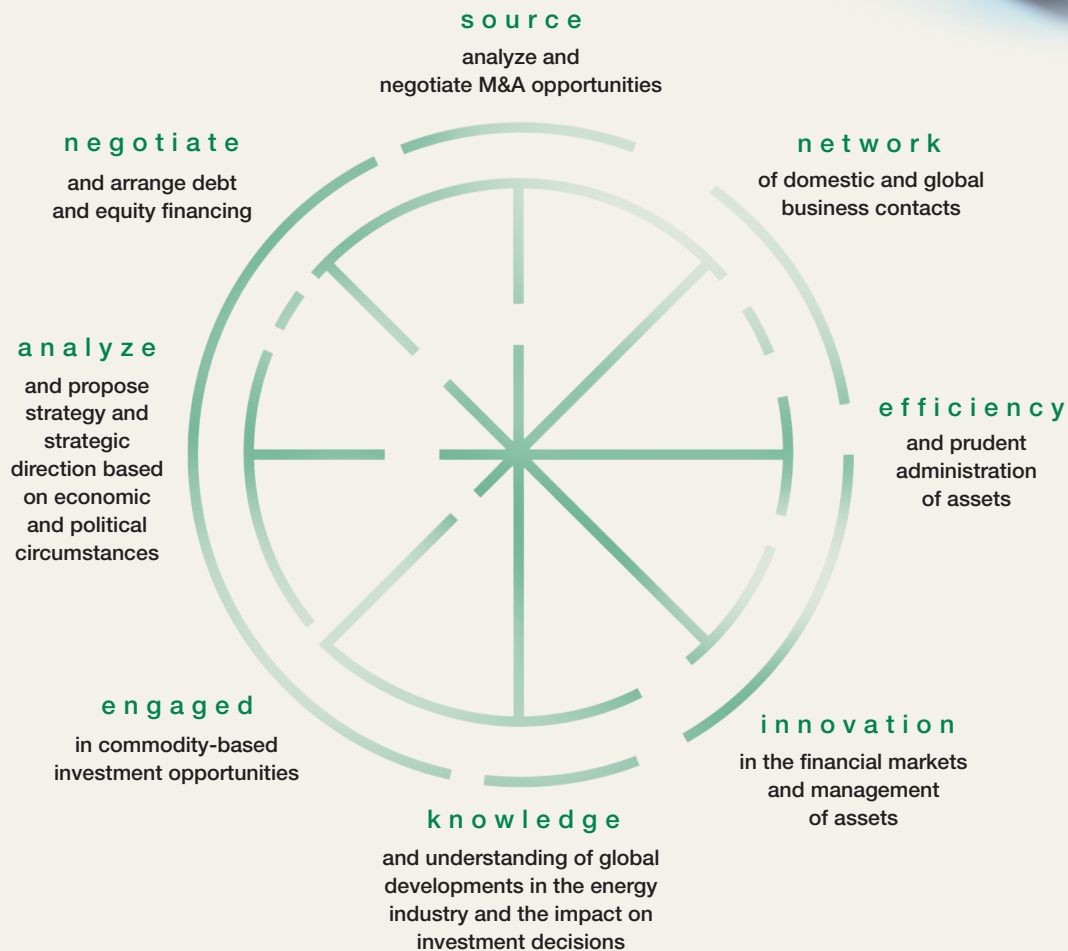
Kinnear Financial Limited

Kinnear Financial Limited (KFL) is a privately held financial service firm specializing in commodity-based investments. Kinnear Financial is affiliated with Caledonian Royalty Corporation and Pengrowth Management Limited, which managed Pengrowth Energy Trust (TSX: PGF.un; NYSE: PGH) for over 20 years.

Kinnear Financial has established a team of professionals with extensive knowledge and resources in the energy sector. Kinnear Financial has over 25 years of experience in successful investments in the commodity sector and in generating strong, sustainable returns on capital invested.

Kinnear Financial's success is built on a clear vision, specialized knowledge, a team of qualified professionals and strong and long-standing relationships.

Value Creation





James S. Kinnear, B.Sc., CFA, LL.D

Founder

James S.
Kinnear

As founder of Kinnear Financial Limited and its related companies, Pengrowth Management Limited and Caledonian Royalty Corporation, Jim Kinnear has provided vision and leadership to one of North America's oldest, largest and most successful energy royalty trusts for over 20 years. Formed in 1988 with a Cdn\$12.5 million offering, Pengrowth Energy Trust has a current enterprise value of approximately \$4.3 billion and more than 600 team members. Revenues in 2008 totalled approximately \$1.9 billion and cash flow totaled approximately \$900 million.

Since inception, Pengrowth has completed more than 50 acquisitions with a total value of over \$5 billion and has evolved into a major oil and natural gas producer. In addition, Pengrowth Energy Trust has raised over \$3.5 billion in equity and \$1.0 billion of private placement debt over its 20-year history. The Trust has provided an average compound rate of return of over 15 percent annually to investors over the past two decades.


Jim graduated from the University of Toronto in 1969 with a Bachelor of Science degree and received his CFA designation in 1979. Prior to moving to Calgary in 1980 and founding Pengrowth Management Limited in 1982, Jim worked in the securities industry in Toronto and Montreal as well as London, England.

Jim currently serves on a number of charitable boards and committees and has received numerous awards for his business and community accomplishments. Jim was recently awarded an Honorary Doctorate of Commerce from St. Mary's University, Halifax, Nova Scotia.



Commodity-based Investments Since 1980

Founded in 1980 by James S. Kinnear, Kinnear Financial Limited has over 25 years of experience in successful investments in the commodity sector, providing strong, sustainable returns on capital invested. Kinnear Financial has built a team of highly qualified resource professionals with extensive expertise to complete strategic combinations, mergers and acquisitions. The team prides itself on its independence and integrity in transactions that conform to the highest standards of due diligence and industry compliance. Transacting in today's volatile global economy requires vision, flexibility, experience, strategic thinking and access to senior decision-makers and investors around the world, which KFL is able to provide. With a team of highly experienced engineers, geologists and financial professionals, Kinnear Financial advises on technical issues related to conventional oil and gas; unconventional oil and gas, including oil sands, enhanced recovery technologies, tight gas, and coalbed methane; off shore oil and gas; carbon emission opportunities as well as mineral and power projects. Our focus on developing global relationships ensures clients have access to opportunities worldwide. As proven innovators, Jim Kinnear and his team have the ability to source, finance, creatively structure and close transactions.



Resource Sector Investments

Compton

Kinnear Financial is experienced in identifying diverse investment opportunities. Kinnear Financial has been instrumental in formulating strategic plans for clients and attracting investment in commodity and commodity-related projects.

Overriding Royalty

In 2009, Caledonian Royalty Corporation negotiated the purchase of a 5 percent gross overriding royalty on the oil and gas properties of Compton Petroleum Corporation, a mid-sized Canadian energy producer for a total cost of \$100 million. This unique investment opportunity, which is comprised of an initial 2.5 percent royalty with an option on an additional 2.5 percent royalty, has not been available in the Canadian oil and gas sector historically.

The royalty covers existing production and potential future production from a large undeveloped land base. Royalty Units offered by Caledonian Royalty Corporation allow investors to participate in the royalty opportunity with the following features:

- Top line cash flow stream based upon gross revenues;
- A registered interest in land representing a secure source of revenue;
- The royalty ranks ahead of banks and other creditors;
- The investment is weighted to natural gas which enables investors to participate in the expected recovery of natural gas markets.

As a result of the recent economic downturn and decline in crude oil and natural gas prices, it has become challenging for smaller and medium-sized oil and gas companies to raise new equity or debt capital. In addition, the banking industry has generally reduced its exposure to the resource sector as a result of internal constraints. Caledonian's purchase of the gross overriding royalty enables Compton to raise funds at a reasonable cost while retaining control of the assets. Investors in this broadly structured royalty have a low-risk, high-yield participation in cash flow from Compton's properties that is not burdened by rising operating and capital costs.

Mergers & Acquisitions

Accrete

In 2008, Pengrowth Management acquired Accrete Energy Inc., on behalf of Pengrowth Energy Trust, for \$122 million. This allowed the Trust to expand its participation in the Harmattan field near Olds, Alberta. The deal also provided Accrete with the necessary capital for the development of their exploration prospects in other parts of Alberta.

Again, Pengrowth Management helped to engineer a spin-off exploration company, Argosy Energy Inc. As part of the deal, the Trust assumed a minority interest in a new exploration company and is exposed to potential new discoveries without taking on any of the risk associated with exploration.

Crispin

In 2005, Pengrowth Management acquired, on behalf of the Trust, Crispin Energy, a publicly listed Canadian company for \$88 million. The purchase was a strategic fit; the properties are complementary to those held in the Swan Hills area. The Crispin acquisition was also a solution to the challenge posed by the Federal government's Canadian ownership requirement for income trusts.

In the following year, Pengrowth Management was able to form a company with the former Crispin managers by taking a minority interest in Monterey Exploration Limited. Together they entered into a combination property disposition and farm-out agreement of some properties in British Columbia. Pengrowth Management thereby accelerated the Trust's participation in exploration and development activities while minimizing any risk to the Trust.

Reorganizations

UTS Energy Corp.*

During 2003, Kinnear Financial acquired a significant stake in UTS. In 2004, Kinnear Financial participated in several UTS financings at a crucial time of low commodity prices and a lack of interest in the marketplace. Kinnear Financial was instrumental in developing a plan to attract investment for UTS' Fort Hills oil sands mining project. Through a series of transactions, UTS acquired 100 percent control of the project and subsequently reduced its commitments to finance the project's development. Petro-Canada and Teck Cominco Limited became co-investors, with Petro-Canada the lead partner and operator.

**Please refer to Case Study II for details.*

Denison Mines*

During 2001 and 2002, Kinnear Financial invested in Denison Mines, a distressed company with interests in energy and mining. After acquiring a significant share holding, Kinnear Financial was instrumental in formulating a strategy that led to Denison's share consolidation and reorganization. This facilitated transforming Denison into a successful growth-oriented, intermediate uranium producer competing in the world market.

**Please refer to Case Study III for details.*

Future Opportunities

Kinnear Financial is focused on further commodity-based investments. Product diversification includes gross overriding royalties, conventional oil and gas and mining operations, oil sands, CO₂, emerging technologies, carbon capture and storage, power and alternative energy sources.

The Team

Kinnear Financial has established a team of professionals who have developed extensive knowledge and resources in the energy sector. The team's expertise ranges from financial management, strategy, and business development to engineering and geology. We combine these diverse skills to identify sound investment opportunities and work closely with clients to ensure successful results.

Corporate Advisory

Kinnear Financial and affiliated companies, Caledonian Royalty Corporation and Pengrowth Management Limited have a strong history of investing in commodity-based projects and adding value for their clients. We have successfully raised equity and debt funds during challenging economic cycles.

Mergers and Acquisitions

Invested over \$5.0 billion in producing oil and gas properties on behalf of Pengrowth Energy Trust

Strategic Investing

Acquiring a gross overriding royalty on a mid-sized Canadian producer for a total cost of \$100 million

Raised \$1.0 billion in investment-grade private debt placements

International Market Capital Financing

Raised \$3.5 billion in over 20 new public issue equity offerings

Optimizing Reorganization

Advised on and participated in numerous reorganizations and M&A integrations

Risk Management

Advised and implemented active interest rate, commodity price and foreign exchange risk management strategies

KINNEAR

FINANCIAL LIMITED

Head Office

Suite 2150, 300 - 5th Avenue S.W.
Calgary, Alberta T2P 3C4
Tel: (403) 532-8800
Fax: (403) 532-8805

Toronto

Scotia Plaza, 40 King Street West
Suite 3006, P.O. Box 106
Toronto, Ontario M5H 3Y2
Tel: (416) 362-1748
Fax: (416) 362-8191

New York

245 Park Avenue, 24th Floor
New York, N.Y. 10167
Tel: (212) 372-8808
Fax: (212) 372-8798

London U.K.

33 St. James's Square
London SW1Y 4JS
Tel: (+44) 207-661-9591
Fax: (+44) 207-661-9592

www.kinnearfinancial.com